



**STAFF REPORT
ACTION REQUIRED
Confidential Attachments**

Proposed Sale of Enwave Energy Corporation

Date:	September 25, 2012
To:	City Council
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reason for Confidential Information:	This report involves the security of property belonging to the City or one of its corporations.
Reference Number:	P:\2012\Internal Services\Cf\Cc12023cf (AFS #16050)

SUMMARY

As directed by Council, this report deals with the proposed sale of Enwave Energy Corporation ("Enwave") and makes recommendations in that regard.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Council adopt the recommendations in Confidential Attachment 1 to this report entitled "Recommendations on the Proposed Sale of Enwave Energy Corporation.
2. Council direct that Confidential Attachment 1 to this report remain confidential in its entirety with the exception that:
 - a. Recommendations 1, 4 and 5 of Confidential Attachment 1 be made public if adopted by City Council; and
 - b. Appendix A to Confidential Attachment 1 shall be released following completion of the transactions contemplated in Attachment 1.

Financial Impact

If the sale is completed, the City's share of net proceeds would be deposited to the Capital Financing Reserve Fund (XR1011) as part of the \$700 million in new capital budget financing applied to the capital budget approved by Council earlier this year.

DECISION HISTORY

Council previously considered and authorized the initiation of a joint sale process for all Enwave shares in November 2011 by adopting the related recommendations in the following report:

Monetization Potential of City Assets

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX12.3>

The report directed the Enwave Board of Directors ("the Board") to conduct a joint sale process and report the results to the shareholders for consideration. Both shareholders must accept the bid for a sale to be executed.

ISSUE BACKGROUND

Enwave was restructured from a legislated co-operative of MASH sector entities to a for profit share capital corporation in 1999, owned by the City and BPC Penco Corporation ("BPC"), an OMERS subsidiary. The restructuring enabled Enwave to finance the deep lake water cooling project, and to establish commercial relationships with its customers. Under the new ownership, Enwave grew and became profitable. However, the shareholders' priorities have evolved and the opportunity to sell the company has been realized.

In the City's case, capital budget pressures in transit, transportation, and other City services require the conversion of non-core City assets into cash to reinvest in long term infrastructure. This investment is in addition to significant additional debt that the City will issue in the next few years.

Council as shareholder, jointly with BPC, directed the Board to undertake all necessary actions to solicit proposals for a joint sale of 100% of the shareholders' interest in Enwave on behalf of both shareholders through a competitive auction, in such a way as to obtain the maximum proceeds for the shareholders.

COMMENTS

The joint sale process was conducted by a special committee of the Enwave Board. The Deputy City Manager and Chief Financial Officer has received the recommendation from the Board, and can now make recommendations about the potential execution of a sale of Enwave. The City retained independent financial advisors to review the sale process and advise as to whether the results are sufficiently attractive to proceed.

CONTACT

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Cam Weldon,
Deputy City Manager and Chief Financial Officer

ATTACHMENTS

Confidential Attachment 1:
Recommendations on the Proposed Sale of Enwave Energy Corporation